

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1597 – HB 1717

February 13, 2018

SUMMARY OF ORIGINAL BILL: Restructures the delivery service licenses for transportation of alcoholic beverages, beer, or both, from a retailer to a customer.

Establishes that a delivery service includes a technology service company that provides software or an application for connecting customers, retailers, or restaurants to a delivery driver.

Requires a delivery service licensee to conduct, or have a third party conduct, a local and national criminal background check on any independent contractor. Authorizes a delivery service to use either employees or independent contractors as part of the delivery service.

Eliminates the delivery service employee permit. Beginning July 1, 2018, each delivery service licensee will be required to file an annual report stating the number of delivery drivers used by the delivery service to deliver alcoholic beverages, beer, or both, in the 12 months preceding the date of the report. Requires each delivery service to maintain each delivery driver covered by the licensee's delivery service license, records sufficient to verify the identity of each delivery driver, a copy of the driver's license of each delivery driver, and a copy of the background check conducted for such driver.

Requires, in addition to the annual license fee, a delivery service licensee to pay a fee based on the total number of delivery service employees or independent contractors used by the delivery service licensee in the prior year. Establishes a fee schedule based on the number of delivery drivers used by the licensee.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Net Impact - \$800/FY18-19/ABC

Net Impact - \$200/FY19-20 and Subsequent Years/ABC

SUMMARY OF AMENDMENT (012918): Deletes and replaces language in the bill such that the only substantive changes are to: (1) reduce the distance a delivery service may deliver alcoholic beverages or beer, from 100 miles to 50 miles, from the licensed premises of the retailer at which the alcoholic beverages or beer was purchased, and (2) prohibit a delivery service from delivering alcoholic beverages or beer to a customer in any county other than the county in which such retailer is located or a county contiguous to such county.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This legislation eliminates the delivery employee permit and requires, in addition to the annual license fee of \$150, a delivery service licensee to pay a fee based on the total number of delivery service employees or independent contractors used by the delivery service licensee in the prior year.
- The new fee schedule for delivery service licensees is as follows:
 - 0-15 delivery drivers -- \$50
 - 16-30 delivery drivers -- \$100
 - 31-45 delivery drivers -- \$150
 - 46-60 delivery drivers -- \$200
 - 61-100 delivery drivers -- \$250
 - 101-150 delivery drivers -- \$300
 - 151-200 delivery drivers -- \$350
 - Fifty dollars (\$50.00) for each additional fifty (50) delivery drivers over two hundred (200) until a maximum of one thousand dollars (\$1,000).
- Pursuant to Tenn. Code Ann. § 57-3-225, a delivery employee permit is currently required of any individual employed by a delivery service licensee.
- Each delivery employee permit costs \$50 and is valid for five years.
- According to the Tennessee Alcoholic Beverage Commission (ABC), there are currently 6 active delivery service licensees and 75 delivery service permits.
- Based on information provided by the ABC, eliminating the delivery service permit will result in a recurring decrease in permit fee revenue of \$750 $[(75 \times \$50) / 5 \text{ years}]$.
- It is assumed that each current active delivery service licensee employs 0-15 delivery drivers.
- A recurring increase in fee revenue of \$300 $(6 \times \$50)$.
- Establishes that a delivery service includes a technology service company that provides software or an application for connecting customers, retailers, or restaurants to a delivery driver.
- There will be two additional active delivery service licensees.
- A one-time application fee of \$300, for total fee revenue of \$600 $(\$300 \times 2)$ in FY18-19.
- Each new delivery service licensee will employ 101-150 drivers, for recurring fee revenue of \$600 $(2 \text{ licensees} \times \$300)$.
- An increase in state revenue of \$750 in FY18-19 $(\$300 + \$600 + \$600 - \$750)$.
- A recurring increase in state revenue of \$150 in FY19-20 and subsequent years $(\$300 + \$600 - \$750)$.
- Delivery service licensees are required to ensure that drivers employed under their license have been subject to a state and national background check.
- It is assumed that these background checks are currently performed by private businesses.

- Pursuant to Tenn. Code Ann. § 57-3-224, a delivery service cannot deliver the alcoholic beverages or beer to a customer who resides or is located at the time of the delivery at a distance greater than 100 miles from the licensed premises of the retailer at which the alcoholic beverages or beer was purchased.
- This legislation reduces the maximum distance for a delivery to 50 miles and prohibits a delivery service from delivering alcoholic beverages or beer to a customer in any county other than the county in which such retailer is located or a county contiguous to such county.
- Reducing the distance that a delivery service may deliver alcoholic beverages or beer is estimated to have no significant impact on total sales of alcoholic beverages or beer in Tennessee; therefore, no significant impact on state government.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb